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HOW TO IDENTIFY POTENTIAL FOREIGN MARKETS FOR YOUR PRODUCTS

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ABSTRACT

Selection of markets is the first stage and most important decision in international marketing. . The global market, made up of well over 200 independent nations with their own distinctive characteristics is too vast indeed. It costs lot of money and efforts to find a suitable market for a product. It would be better to focus on a few fruitful markets than to spread everywhere. Market concentration can lead to better debt collection. First the firm should establish in one market before moving on to other markets. As Dr. Bhattacharje, former Chairman STC, pointed out, "it is easier to increase business where you have a stronghold rather than increase business in new areas."

Moreover, the company resources may not permit the operation in a large number of countries. There are of course companies which operate in majority of the countries of the world. These companies have not achieved such a massive expansion overnight. It has been a gradual expansion achieved over a long period. Further, all types of business do not lend themselves for such substantial international expansion.

Market selection is based on a thorough evaluation of the different markets with reference to certain well defined criteria, given the company resources and objectives. Marketing research therefore becomes necessary to obtain the data required for evaluating the markets.

The top five major factors identified that may strongly influence international location decisions generally were: costs, infrastructure, labor characteristics, government, political and economic factors. Ten key sub-factors identified were: quality of labour force, existence of modes of transportation, quality and reliability of modes of transportation, availability of labour force, quality and reliability of utilities, wage rates, motivation of workers, telecommunication systems, record of government stability and industrial relations laws.

KEYWORDS: International Business, Location.

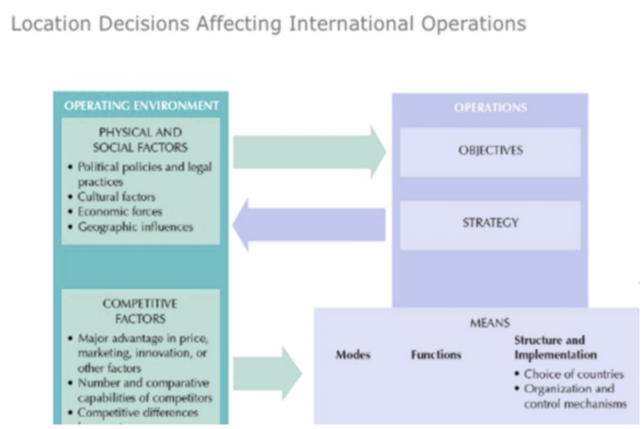
1.0 Introduction

The old adage that "location, location and location", are the three most important factors for the success of International business.

Because all companies have limited resources, they should decide in which countries to locate sales, production and administrative services, the sequence for entering different countries and the amount of resources and efforts to allocate to each country where they operate. Every entrepreneur has a dream that their idea and their company should grow and turn into a global known company with high earnings per share. Google, Facebook, Apple are very successful and many others tried but failed for different reasons. There are several forces to consider and many roads to walk down before success.

An entry mode can be defined as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)" (Sharma and Erramilli, 2004, p. 2).

Below mentioned picture highlights the importance of location decisions in companies



Keywords: Location decision, Strategy

- To identify and shortlist markets which offer or might offer in future opportunities that can be exploited by it, a Classification scheme for segmenting the International markets is required.

1.1Classification

There are several bases of classification, principal among them are:

1.1 Classification on the basis of Stages of Demand

Keegan has produced a threefold classification of world markets:

i) Existing Markets:

In the existing markets, consumer needs are known and are already being serviced by some products. The market opportunities can be assessed by estimating the consumption rate and the share of imports in current consumption.

ii) Latent Markets:

Latent markets have potential customers, but because no one has offered a product to fill the latent need there is no existing market.

iii) Incipient Markets:

Incipient markets do not exist in the present. However, conditions and trends can be identified that point towards the emergence of future needs and preferences for products and services that will create a latent market, which if supplied will become an existing market.

Keywords: Classification, Classification of World markets

1.2 Classification on the basis of Stages of Development

The world markets can be divided into four distinct segments which are as follows:

i) Industrially Developed Economies:

A developed country, industrialized country, or "more economically developed country" (MEDC), is a sovereign state that has a highly developed economy and advanced technological infrastructure relative to other less industrialized nations. These countries provide a large market as they have no or little import restrictions. These countries insist more and more on research and development and emphasize on production of sophisticated products.

Industrial Developed economies provide opportunities for the Import of the following types of products:

a) Labour intensive products like electronics and light engineering goods

because these countries have an acute shortage of labor.

b) Tend to import Spares and components and raw materials to feed their industries .

c) Anti-pollution equipment and those articles whose production has been banned for risks of pollution because they are very particular about preventing pollution.

ii) More Developed Developing Countries:
This category would include countries like Argentina ,Australia Brazil, Canada, France, Germany, Italy, Mexico, Norway Russia, Spain, Sweden, etc. They would like to import machinery and equipment to set up new manufacturing facilities. They are interested in setting up joint ventures in other less developed countries.

iii) Raw Material Exporting Economies:
Economies rich in one or more natural resources but poor in other aspects. Much of their revenue comes from exporting these resources. e.g.Zaire (Copper) and Saudi Arabia (Oil).They are generally faced with large changes in foreign exchange earnings because of fluctuations in their export prices. They have inadequate infrastructure and therefore they need different types of goods, almost anything – consumer durables, transport equipment, food products, service facilities, etc.

iv) Subsistence Economies:
This type of economy is found in the least developed countries. They almost produce nothing and depend very much on the imports. They need Equipment to exploit their untapped resources, Infrastructural facilities like railways, roads, building, transport equipments, power generation equipments, transmission line tower etc.,Turnkey projects like housing, schools, hospitals etc.
Keywords:-Stages of Development, Type of economies

1.3 Other Basis of Division of World Markets:
i)On the Basis of Population:
Population is another major criterion for division of markets. The higher the population of a country, the bigger is the market provided by it. Sales of many consumer goods correlate more closely with population or household figures than with per capita income.When analyzing population, it is necessary to look at (i) Demographics and the distribution of population by age groups and income, (ii) social class, (iii) educational background, (iv) Number of households, (v) geographic concentration and differences, and (vi) the rates of change in each of the above characteristics,vii) political stability.

ii) On the Basis of Gross National Products:
Gross National Product (GNP) and its rate of growth could provide another basis for classification of countries. In fact, the large industrialized nations like the United States, West European countries, Japan, Germany, Britain, Australia and Canada are the best markets for consumer goods and consumer durables even though these countries manufacture these products themselves, because the people are wealthy enough to be able to buy imported products and in many cases prefer to do so. The size of population related to income per head of a country's inhabitants is one of the most important criteria in deciding the respective values of the market.

Keywords: Analysis of World markets

2. Scanning Techniques
Scanning allows companies to examine most or all countries broadly and then narrow them to the most promising ones..It can be done with publically available information such as internet and other available resources which is readily available and inexpensive. There are Export Promotion Coucils, The India Trade Promotion Organisation and various chambers of Commerce. Libraries maintained by foreign embassies in india also provide a number of reference books to assist the exporters.

With the help of scanning, one can compare countries on a few conditions that could significantly affect the success or failure of their business and that fit with the company's resources and objectives.

2.1 Examining the data in Different Markets

i) Climate: If the weather is hot and humid, it would be necessary to provide additional protection involving extra production/packaging costs. Other physical features to be considered are the incidence of mountains, rivers etc.

ii) Appropriate size of markets: Local production plus imports minus exports. production and sales trends may be examined for the last two to five years.

iii) Economic Characteristics: National Income and per capita income, Wealth, Work habits and occupation, consumer mobility-Geographical and within social class structure.

iv) Political Influences: As they affect consumers, present and potential suppliers, affect international trade policies, Affect the economy business cycles, monetary stability, disposable personal income.

v) Transport and Communications-Companies with rapidly evolving technologiesneed to connect product, process,Mode, speed, frequency and cost.

vi) Social Development projects

Keywords: Scanning of Different markets

3. Market Entry Conditions
The various types of preferences available to Indian Exporters are discussed below:

i) The Generalized System of Preferences, or GSP, is a preferential tariff system which provides for a formal system of exemption from the more general rules of the World Trade Organization (WTO), (formerly, the General Agreement on Tariffs and Trade or GATT). Specifically, it's a system of exemption from the most favored nation principle (MFN) that obliges WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their "most favored" trading partner. In essence, MFN requires WTO member countries to treat imports coming from all other WTO member countries equally, that is, by imposing equal tariffs on them. It has been shown that the availability of GSP is definitely helping india's exports.

ii) Exchange of preferences among developing countries- India is also a beneficiary of preferences exchanged among 16 developing countries. It would be useful for an exporter to find out whether his product is covered by these preferences.

Conclusion
Market testing is the best way of minimizing export marketing risks and it would be desirable to test the market carefully before mounting any major export offensive. It would be preferable to find out the market segment which offers the best potential. There are many good reasons why it is better to concentrate on a few markets. i) Profitability can be maximized by putting the maximum effort into areas of maximum potential ii) Past results shows that almost every company has a comparatively small number of markets that account for the bulk of its turnover.

Moreover, it would be essential to review from time to time the export markets and assess their characteristics and potential. Market concentration is also desirable in order to maximize the overall profitability of the firm.

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